GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:477
ANSWERED ON:24.08.2001
VALUE OF RUPEE
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

(a) whether the value of the rupee becomes dependent on the inflows of foreign exchange through the Foreign Institutional Investors;

(b) if so, the details thereof;

(c) whether value of rupee with dollar is now clearly calibrated with the inflow of money through the Foreign Institutional Investors;

(d) if so, to what extent the Government propose to widen the dependence of the rupee on other factors for determining its value; and

(e) the steps taken to ensure that the rupee does not become dependent on any single source of foreign exchange ?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

(a), (b), (c), (d) & (e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of the Lok Sabha Starred Question No. 477 regarding `Value of Rupee` for answer on 24-8-2001.

(a),(b),(c) & (d) : The exchange rate of the rupee in India is largely determined by market forces, and moves in both directions on a day-to-day basis depending upon the demand for and supply of foreign exchange emanating from India`s international transactions both on the current and capital accounts of balance of payments, including inflow of funds for portfolio investments by Foreign Institutional Investors (FIIs) in India.Therefore, FIIs` investment is only one of the many sources of foreign exchange flows that can affect the exchange rate of the rupee.

(e): The developments in the financial markets in India and abroad are monitored closely both by the Government and the Reserve Bank of India and appropriate measures are taken, when necessary, to reduce excessive volatility in the exchange rate, prevent the emergence of destabilizing speculative activities, develop orderly foreign exchange market conditions and to help maintain adequate level of foreign exchange reserves.